

**GA-SEGONYANA LOCAL MUNICIPALITY**
**FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011**

	Notes	2011 (Actual)	2010 (Restated)	Correction of error	2010 (Previously Reported)
		R	R	R	R
<b>REVENUE</b>					
<b>Revenue from Non-exchange Transactions</b>		<b>124,451,442</b>	<b>76,676,316</b>	<b>-2,352,717</b>	<b>79,029,033</b>
<b>Taxation Revenue</b>		<b>13,030,789</b>	<b>11,787,914</b>	<b>46,061</b>	<b>11,741,853</b>
Property taxes	21	13,030,789	11,987,914	46,061	11,741,653
<b>Transfer Revenue</b>		<b>108,371,985</b>	<b>62,666,709</b>	<b>-</b>	<b>62,666,709</b>
Government Grants and Subsidies - Capital Government	22	27,441,703	21,049,967	-41,616,331	82,666,298
Grants and Subsidies - Operating	22	80,930,282	41,616,742	41,616,742	-
Public Contributions and Donations		-	-	-411	411
<b>Other Revenue</b>		<b>3,048,668</b>	<b>221,693</b>	<b>-2,398,778</b>	<b>4,620,471</b>
Third Party Payments		196,594	-	-	-
Actuarial Gains		-	115,832	115,832	-
Fines		1,344,567	822,056	-1,054,031	1,676,087
Licences and Permits		1,507,403	1,483,805	-1,460,579	2,944,384
Dividends Received		104	-	-	-
<b>Revenue from Exchange Transactions</b>		<b>74,427,730</b>	<b>64,010,667</b>	<b>906,936</b>	<b>63,103,731</b>
Service Charges	23	64,223,908	58,111,349	-826,659	56,938,008
Rental of Facilities and Equipment		1,649,776	1,400,188	23,625	1,376,583
Interest Earned - external Investments		1,183,835	364,814	364,814	-
Interest Earned - outstanding debtors		931,118	1,054,031	713,962	340,049
Agency Services		1,042,245	911,910	911,910	-
Other Income	24	5,397,048	2,166,375	-280,738	2,449,111
<b>Total Revenue</b>		<b>198,879,172</b>	<b>140,686,983</b>	<b>-1,445,781</b>	<b>142,132,764</b>
<b>EXPENDITURE</b>					
Employee related costs	25	36,566,991	39,062,875	3,707,211	35,355,464
Remuneration of Councillors	26	5,286,644	-	3,650,346	3,850,346
Debt Impairment	27	2,185,720	1,769,475	1,351,075	418,400
Collection Cost		-	-	-121,274	121,274
Depreciation and Amortisation		40,432,265	38,774,555	2,705,375	11,720,180
Impairments		92,063	-	-	-
Repairs and Maintenance		19,722,687	21,335,848	-578,468	21,914,314
Actuarial losses	3	970,409	71,666	71,686	-
Finance Charges	28	4,102,974	4,292,557	444,271	3,848,266
Bulk Purchases	29	30,543,229	23,224,531	-	23,224,531
Other Operating Grant Expenditure		31,234,715	2,196,378	2,196,378	-
General Expenses	30	35,997,393	29,732,632	-3,709,614	33,442,446
<b>Total Expenditure</b>		<b>207,115,180</b>	<b>160,460,537</b>	<b>34,265,988</b>	<b>133,895,241</b>
<b>NET SURPLUS FOR THE YEAR</b>		<b>-8,236,008</b>	<b>-19,773,554</b>	<b>-35,711,769</b>	<b>8,237,523</b>

**GA-SEGONYANA LOCAL MUNICIPALITY**
**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2011**

	Notes	Accumulated Surplus/ (Deficit) R	Total R
<b>Balance at 1 JULY 2009</b>		18,885,075	18,885,075
Correction of error	31.22	804,883,114	804,883,114
<b>Restated Balance at 1 JULY 2009</b>		<b>823,768,189</b>	<b>823,768,189</b>
Net Surplus/(Deficit) for the year		8,237,523	8,237,523
Net Surplus/(Deficit) for the year - Correction of Error	31.23	43,541,528	43,541,528
Correction of error	31.23	-2,064,566	-2,064,566
Increase in accumulated funds		46,015,608	46,015,608
Transfer to loans redeemable		-4,780,274	-4,780,274
Transfer of accumulated depreciation		87,140,131	87,140,131
<b>Balance at 30 JUNE 2010</b>		<b>982,858,138</b>	<b>982,858,138</b>
Correction of error	31.22	-49,285,828	-49,285,828
<b>Restated Balance at 1 JULY 2010</b>		<b>933,572,310</b>	<b>933,572,310</b>
Transfer from long term debtors	33.23	-42,805	-42,805
Net Surplus/(Deficit) for the year Rounding		-8,236,008	-8,236,008
Rounding		-1	-1
<b>Balance at 30 JUNE 2011</b>		<b>925,293,496</b>	<b>925,293,496</b>

**GA-SEGONYANA LOCAL MUNICIPALITY**
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011**

	Notes	2,011 R	2,010 R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Ratepayers and other		80,794,043	101,279,427
Government - operating		80,930,282	41,616,742
Government - capital		27,441,703	21,049,967
Interest		2,114,753	1,418,845
Dividends		104	-
<b>Payments</b>			
Suppliers and employees		-158,231,331	-114,937,628
Finance charges		-4,102,974	-4,292,557
<b>Net Cash from Operating Activities</b>		<b>28,946,580</b>	<b>46,134,796</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment		-31,197,437	-38,250,955
(Increase)/Decrease in Non-current Investments		276	-140
<b>Net Cash from Investing Activities</b>		<b>-31,197,161</b>	<b>-38,251,095</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
New loans raised		1,146,807	629,248
New loans (repaid)		-5,209,305	-4,794,920
(Increase) / Decrease in Long-term Receivables		-81,586	4,260
Increase / (Decrease) in Consumer Deposits		254,621	-831,901
Rounding		1	-
<b>Net Cash from Financing Activities</b>		<b>-3,889,463</b>	<b>-4,993,313</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>-6,140,044</b>	<b>2,890,388</b>
Cash and Cash Equivalents at the beginning of the year		3,812,811	922,423
Cash and Cash Equivalents at the end of the year	33	-2,327,233	3,812,811
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>-6,140,044</b>	<b>2,890,388</b>

**GA-SEGONYANA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

**1. ACCOUNTING PRINCIPLES AND POLICIES APPLIED IN THE FINANCIAL STATEMENTS**

**1.1. BASIS OF PREPARATION**

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The annual financial statements have been prepared in accordance with the effective standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The standards are summarised as follows:

<b>GRAP 5</b>	Borrowing Costs
<b>GRAP 6</b>	Consolidated and Separate Financial Statements
<b>GRAP 7</b>	Investments in Associates
<b>GRAP 8</b>	Interests in Joint Ventures
<b>GRAP 101</b>	Agriculture
<b>GRAP 102</b>	Intangible assets
<b>IGRAP1</b>	Applying the probability test on initial recognition of exchange revenue
<b>IPSAS20</b>	Related Party Disclosure
<b>IFRS 3 (AC140)</b>	Business Combinations
<b>IFRS 4 (AC141)</b>	Insurance Contracts
<b>IFRS6(AC143)</b>	Exploration for and Evaluation of Mineral Resources
<b>IAS12(AC102)</b>	Income Taxes
<b>IAS19(AC116)</b>	Employee Benefits
<b>SIC-21(AC421)</b>	Income Taxes- Recovery of Revaluated Non-Depreciable Assets
<b>SIC-25(AC425)</b>	Income Taxes - Changes in the Tax Status on an Entity or its Shareholders
<b>SIC-29(AC429)</b>	Service Concessions Arrangements - Disclosures
<b>IFRIC 2 (AC435)</b>	Members' Shares in Co-operative Entities and Similar Instruments
<b>IFRIC 4 (AC437)</b>	Determining whether an Arrangement contains a Lease
<b>IFRIC 9 (AC442)</b>	Reassessment of Embedded Derivatives
<b>IFRIC 12 (AC445)</b>	Service Concession Arrangements
<b>IFRIC 13 (AC446)</b>	Customer Loyalty Programmes
<b>IFRIC 14 (AC447)</b> <b>IAS19</b>	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

**GA-SEGONYANA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

<b>IFRIC 15 (AC448)</b>	Agreements for the Construction of Real Estate
<b>IFRIC16(AC449)</b>	Hedges in a Net Investment in a Foreign Operation

The Municipality resolved to early adopt the following GRAP standards which have been issued but are not effective yet.

<b>Standard</b>	<b>Description</b>	<b>Effective Date</b>
GRAP 1 (Revised)	Presentation of Financial Statements	1 April 2011
GRAP 2 (Revised)	Cash Flow Statements	1 April 2011
GRAP 3 (Revised)	Accounting Policies, Changes in Accounting Estimates and Errors	1 April 2011
GRAP 4 (Revised)	The Effects of changes in Foreign Exchange Rates	1 April 2011
GRAP 9 (Revised)	Revenue from Exchange Transactions	1 April 2011
GRAP 10 (Revised)	Financial Reporting in Hyperinflationary Economics	1 April 2011
GRAP 11 (Revised)	Construction Contracts	1 April 2011
GRAP 12 (Revised)	Inventories	1 April 2011
GRAP 13 (Revised)	Leases	1 April 2011
GRAP 14 (Revised)	Events after the reporting date	1 April 2011
GRAP 16 (Revised)	Investment Property	1 April 2011
GRAP 17 (Revised)	Property, Plant and Equipment	1 April 2011
GRAP 19 (Revised)	Provisions, Contingent Liabilities and Contingent Assets	1 April 2011
GRAP 21	Impairment of non-cash-generating assets	1 April 2012
GRAP 23	Revenue from Non-Exchange Transactions	1 April 2012
GRAP 26	Impairment of cash-generating assets	1 April 2012
GRAP 100 (Revised)	Non-current Assets held for Sale and Discontinued Operations	1 April 2011
GRAP 104	Financial Instruments	1 April 2012

The Municipality resolved to formulate an accounting policy based on the following GRAP standards which have been issued but are not effective yet.

<b>Standard</b>	<b>Description</b>	<b>Effective Date</b>
GRAP 25	Employee Benefits	Unknown

Accounting policies for material transactions, events or conditions not covered by the above GRAP have been developed in accordance with paragraphs 7,11 and 12 of GRAP 3.

**GA-SEGONYANA LOCAL MUNICIPALITY****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

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A summary of the significant accounting policies, which have been consistently applied except where an exemption or transitional provision has been granted, are disclosed below.

Assets, liabilities, revenue and expenses have not been offset except when offsetting is permitted or required by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant notes to the Financial Statements.

In terms of Directive 4: "Transitional Provisions for Medium and Low Capacity Municipalities" issued by the Accounting Standards Board the municipality has adopted the transitional provisions for the following GRAP Standards (Refer to correction of error note as transitions was not utilised in the prior year):

GRAP 12 - Inventories

GRAP 16 - Investment Property

GRAP 17 - Property, Plant and Equipment

GRAP 19 - Provisions, Contingent Liabilities and Contingent Assets

GRAP 100 - Non-current Assets Held for Sale and Discontinued Operations

GRAP 102 - Intangible Assets

In terms of Directive 7: The Application of Deemed Cost on the Adoption of Standards of GRAP" issued by the Accounting Standards Board, the Municipality applied deemed cost to Investment Property, Property, Plant and Equipment and Intangible assets where the acquisition cost of an asset could not be determined.

**1.2. PRESENTATION CURRENCY**

Amounts reflected in the financial statements are in South African Rand and at actual values. No financial values are given in an abbreviated display format. No foreign exchange transactions are Included in the statements.

**1.3. GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on a going concern basis.

**1.4. COMPARATIVE INFORMATION**

As noted below, GRAP 24 is not effective yet, however budget information required in terms of GRAP 1 paragraph 11 to 14 have been disclosed in the financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated, unless a standard of GRAP does not require the restatements of comparative information. The nature and reason for the reclassification is disclosed. Where material accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

**GA-SEGONYANA LOCAL MUNICIPALITY**
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**
**1.5. MATERIALITY**

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decision or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatements judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor. In general, materiality is determined as 1% of total expenditure.

**1.6. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the Municipality:

<b>Standard</b>	<b>Description</b>	<b>Effective Date</b>
<b>GRAP 6 (Revised)</b>	<b>Consolidated and Separate Financial Statements</b> No significant impact is expected as the Municipality does not participate in such business transactions.	<b>Unknown</b>
<b>GRAP 7 (Revised)</b>	<b>Investments In Associate</b> No significant impact is expected as the Municipality does not participate in such business transactions.	<b>Unknown</b>
<b>GRAP 8 (Revised)</b>	<b>Interest In Joint Ventures</b> No significant impact is expected as the Municipality does not participate in such business transactions.	<b>Unknown</b>
<b>GRAP 18</b>	<b>Segment Reporting</b> Information to a large extent is already included in the notes to the annual financial statements.	<b>Unknown</b>
<b>GRAP 24</b>	<b>Presentation of Budget Information In Financial Statements</b> Information to a large extent is already included in the notes to the annual financial statements.	<b>1 April 2012</b>
<b>GRAP 103</b>	<b>Heritage Assets</b> Heritage assets are included in PPE and will be moved to Heritage assets with implementation 30 June 2013.	<b>1 April 2012</b>
<b>GRAP 105</b>	<b>Transfer of Functions Between Entities Under Common Control</b> No significant impact is expected as the Municipality does not participate in such business transactions.	<b>Unknown</b>
<b>GRAP 106</b>	<b>Transfer of Functions Between Entities Not Under Common Control</b> No significant impact is expected as the Municipality does not participate in such business transactions.	<b>Unknown</b>
<b>GRAP 107</b>	<b>Mergers</b> No significant impact is expected as the Municipality does not participate in such business transactions.	<b>Unknown</b>

These standards, amendments and interpretations will not have a significant impact on the Municipality once implemented.



**1.7. LEASES****1.7.1 Municipality as Lessee**

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the Municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the Municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant and equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to de-recognition of financial instruments are applied to lease payables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

**1.7.2 Municipality as Lessor**

Under a finance lease, the Municipality recognises the lease payments to be received in terms of a lease agreement as an asset (receivable). The receivable is calculated as the sum of all the minimum lease payments to be received, plus any unguaranteed residual accruing to the Municipality, discounted at the interest rate implicit in the lease. The receivable is reduced by the capital portion of the lease instalments received, with the interest portion being recognised as interest revenue on a time proportionate basis. The accounting policies relating to de-recognition and impairment of financial instruments are applied to lease receivables.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on a straight-line basis over the term of the relevant lease.

**1.8 UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS**

Unspent conditional grants are financial liabilities that are separately reflected on the Statement of Financial Position. They represent unspent government grants, subsidies and contributions from the public.

This liability always has to be cash-backed. The following provisions are set for the creation and utilisation of this creditor:

- Unspent conditional grants are recognised as a liability when the grant is received.



**GA-SEGONYANA LOCAL MUNICIPALITY****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

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- When grant conditions are met an amount equal to the conditions met are transferred to revenue in the Statement of Financial Performance.
- The cash which backs up the creditor is invested as individual investment or part of the general investments of the Municipality until it is utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor. If it is the Municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

**1.9. PROVISIONS**

Provisions are recognised when the Municipality has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resource embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is possible.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- (a) The Municipality has a detailed formal plan for the restructuring identifying at least:
- the business or part of a business concerned;
  - the principal locations affected;
  - the location, function and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented.
- (b) The Municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it

The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation at the reporting date.

Provisions shall be reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be reversed.

**1.10. EMPLOYEE BENEFITS****(a) Post Retirement Medical obligations**

The Municipality provides post-retirement medical benefits by subsidizing the medical aid contributions of certain retired staff according to the rules of the medical aid funds. Council pays 70% as contribution and the remaining 30% are paid by the members. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The present value of the defined benefit liability is actuarially determined in accordance with GRAP 25 - Employee benefits (using a discount rate applicable to high quality government bonds). The plan is unfunded.

These contributions are charged to the Statement of Financial Performance when employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation. Payments made by the Municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

**(b) Long Service awards**

Long service awards are provided to employees who achieve certain pre-determined milestones of service within the Municipality. The Municipality's obligation under these plans is valued by independent qualified actuaries periodically and the corresponding liability is raised. Payments are set-off against the liability, including notional interest, resulting from the valuation by the actuaries and are charged against the Statement of Financial Performance as employee benefits upon valuation. Defined benefit plans are post-employment plans other than defined contribution plans.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions, is charged or credited to the Statement of Financial Performance in the period that it occurs. These obligations are valued periodically by independent qualified actuaries.

**(c) Accrued Leave Pay**

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total amount of leave days due to employees at year end and also on the total remuneration package of the employee.

**(d) Performance bonuses**

A provision, in respect of the liability relating to the anticipated costs of performance bonuses payable to Section 57 employees, is maintained. Municipal entities' performance bonus provisions are based on the employment contract stipulations as well as previous performance bonus payment trends.

**1.11 PROPERTY, PLANT AND EQUIPMENT****1.11.1 Initial Recognition**

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the assets acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

**1.11.2 Subsequent Measurement - Revaluation Model**

Subsequent to initial recognition, Property, Plant and Equipment are carried at a revalued amount, unless otherwise stated in the relevant Notes to the Financial Statements, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

**1.11.3 Subsequent Measurement-Cost Model**

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

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Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

**1.11.4 Depreciation and Impairment**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual depreciation rates are based on the following estimated useful lives

<b><u>Infrastructure</u></b>	<b>Years</b>	<b><u>Other</u></b>	<b>Years</b>
Roads and Paving	4-100	Buildings	30
Refuse	15-100	Specialist vehicles	10-20
Electricity	5-50	Other vehicles	5-20
Water	4-100	Office equipment	3-20
Sewerage	5-100	Furniture and fittings	3-20
Housing	5-30	Watercraft	15
		Bins and containers	5
<b><u>Community</u></b>			
Buildings	5-30	Specialised plant and Equipment	10-15
Recreational Facilities	5-30	Other plant and Equipment	3-20
Security	5-30		
Halls	5-30	Landfill sites	15
Libraries	5-30	Quarries	25
Parks and gardens	5-30	Emergency equipment	5-20
Other assets	5-30	Computer equipment	5-20
<b><u>Finance lease assets</u></b>			
Office equipment	3-5		
Other assets	3-5		

Property, plant and equipment are reviewed at each reporting date for any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The impairment charged to the Statement of Financial Performance is the excess of the carrying value over the recoverable amount.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance.

**1.11.5 De-recognition**

Items of property, plant and equipment are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**1.11.6 Land and buildings and Other Assets - application of deemed cost (Directive 7)**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Land and Buildings the fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2008. For Other Assets the depreciated cost method was used to establish the deemed cost as on 1 July 2008.

**1.12 INTANGIBLE ASSETS****1.12.1 Initial Recognition**

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset meets the identifiability criterion in the definition of an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The Municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the Municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the Municipality intends to complete the intangible asset for use or sale;
- it is technically feasible to complete the intangible asset;
- the Municipality has the resources to complete the project; and
- it is probable that the municipality will receive future economic benefits or service potential.

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, if s deemed cost is the carrying amount of the asset(s) given up.

**1.12.2 Subsequent Measurement - Cost Model**

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

**1.12.3 Amortisation and Impairment**

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. Amortisation of an asset begins when it is available for use, i.e. when it is in the condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole

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asset and that have different useful lives are amortised separately. The estimated useful lives, residual values and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The annual amortisation rates are based on the following estimated useful lives:

<b><u>Intangible Assets</u></b>	<b>Years</b>
Computer Software	3-5
Computer System	5-10

**1.12.4 De-recognition**

Intangible assets are derecognised when the asset is disposed or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**1.12.5 Application of deemed cost (Directive 7)**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. For Intangible Assets the depreciated cost method was used to establish the deemed cost as on 1 July 2008.

**1.13 INVESTMENT PROPERTY****1.13.1 Initial Recognition**

Investment property shall be recognised as an asset when, and only when:

- it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and
- the cost or fair value of the investment property can be measured reliably.

Investment property includes property (land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. Property with a currently undetermined use, is also classified as investment property.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.



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Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Municipality accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. The cost of self-constructed investment property is the cost at date of completion.

**1.13.2 Subsequent Measurement - Cost Model**

Subsequent to initial recognition, items of investment property are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

**1.13.3 Depreciation and Impairment**

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

<u>Investment Property</u>	<u>Years</u>
Buildings	30

**1.13.4 De-recognition**

Investment property is derecognised when it is disposed or when there are no further economic benefits expected from the use of the investment property. The gain or loss arising on the disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

**1.13.5 Application of deemed cost • Directive 7**

The Municipality opted to take advantage of the transitional provisions as contained in Directive 7 of the Accounting Standards Board, issued in December 2009. The Municipality applied deemed cost where the acquisition cost of an asset could not be determined. The fair value as determined by a valuator was used in order to determine the deemed cost as on 1 July 2008.

**1.14 NON-CURRENT ASSETS HELD FOR SALE**
**1.14.1 Initial Recognition**

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.



**1.14.2 Subsequent Measurement**

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

**1.15 IMPAIRMENT OF NON-FINANCIAL ASSETS****1.15.1 Cash-generating assets**

Cash-generating assets are assets held with the primary objective of generating a commercial return.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the municipality estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are recognised in the Statement of Financial Performance in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Municipality estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Statement of Financial Performance.

**1.15.2 Non-cash-generating assets**

Non-cash-generating assets are assets other than cash-generating assets.

The Municipality assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Municipality estimates the asset's recoverable service amount.

An asset's recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use. If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss recorded in the Statement of Financial Performance.

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The value in use of a non-cash-generating asset is the present value of the asset's remaining service potential. The present value of the remaining service potential of the asset is determined using any one of the following approaches:

- *depreciated replacement cost approach* - the present value of the remaining service potential of an asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.
- *restoration cost approach* - the cost of restoring the service potential of an asset to its pre-impaired level. Under this approach, the present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is usually determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.
- *service unit approach* - the present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform with the reduced number of service units expected from the asset in its impaired state. As in the restoration cost approach, the current cost of replacing the remaining service potential of the asset before impairment is usually determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

The Municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for an asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable service amount. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods. Such a reversal of an impairment loss is recognised in the Statement of Financial Performance.

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**1.16. NON CURRENT INVESTMENTS**

Financial instruments, which include, investments in municipal entities and fixed deposits invested in registered commercial banks, are stated at amortised cost

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

The carrying amounts of such investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments.

**1.17. INVENTORIES****1.17.1 Initial Recognition**

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus non-recoverable taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the Municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

**1.17.2 Subsequent Measurement**

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of Inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

**1.18 FINANCIAL INSTRUMENTS**

Financial instruments recognised on the Statement of Financial Position include trade and other receivables (both from exchange transactions and non-exchange transactions), cash and cash equivalents, annuity loans and trade and other payables.

**1.18.1 Initial Recognition**

Financial instruments are initially recognised when the Municipality becomes a party to the contractual provisions of the instrument at fair value plus, in the case of a financial asset or financial

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liability not at fair value, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability

**1.18.2 Subsequent Measurement**

Financial Assets are categorised according to their nature as either financial assets at fair value, financial assets at amortised cost or financial assets at cost., Financial Liabilities are categorised as either at fair value, financial liabilities at cost or financial liabilities carried at amortised cost ("other\*"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

**1.18.2.1 Investments**

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairments and is calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the Difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance. The balance as at 30 June included accumulated interest

**1.18.2.2 Trade and Other Receivables**

Trade and other receivables are classified as loans and receivables, and are subsequently measured amortised cost using the effective interest rate method.

For amounts due from debtors carried at amortised cost, the Municipality first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Objective evidence of impairment includes significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue). If the Municipality determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Financial Performance. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the municipality. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is recognised in the Statement of Financial Performance.

The present value of the estimated future cash flows is discounted at the financial assets original effective interest rate, if material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

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**1.18.2.3 Trade and Other Payables and Annuity Loans**

Financial liabilities consist of trade and other payables and annuity loans. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate, which is the initial carrying amount, less repayments, plus interest.

**1.18.2.4 Cash and Cash Equivalents**

Cash includes cash on hand (including petty cash) and cash with banks. Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, highly liquid deposits and net of bank overdrafts. The Municipality categorises cash and cash equivalents as financial assets carried at amortised cost

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

**1.18.3 De-recognition of Financial Instruments****1.18.3.1 Financial Assets**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Municipality has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Municipality has transferred substantially all the risks and rewards of the asset, or (b) the Municipality has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Municipality has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognised to the extent of the Municipality's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Municipality could be required to repay.



When continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Municipality's continuing involvement is the amount of the transferred asset that the Municipality may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Municipality's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

#### **1.18.3.2 *Financial Liabilities***

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Statement of Financial Performance.

#### **1.18.4 *Offsetting of Financial Instruments***

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

### **1.19 REVENUE**

#### **1.19.1 *Revenue from Non-Exchange Transactions***

Revenue from non-exchange transactions refers to transactions where the Municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Interest on unpaid rates is recognised on a time proportionate basis as an exchange transaction.

Fine Revenue constitutes both spot fines and summonses. Revenue from spot fines and summonses is recognised based on an estimation of future collections of fines issued based on prior period trends and collection percentages.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the Municipality. Where public contributions have been received but the Municipality has not met the related conditions, it is recognised as an unspent public contribution (liability).

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Revenue from third parties i.e. insurance payments for assets impaired, are recognised when it can be measured reliably and is not being offset against the related expenses of repairs or renewals of the impaired assets.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the Municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue shall be measured at the fair value of the consideration received or receivable.

When, as a result of a non-exchange transaction, a Municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the present obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability will be recognised as revenue.

**1.19.2 Revenue from Exchange Transactions**

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered/ goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption and a basic charge as per Council resolution. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse points per property.

Service charges relating to sewerage are recognised on a monthly basis in arrears by applying the approved tariff. Tariffs are determined per category.

Service charges from sewerage are based on a basic charge as per Council resolution.



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Interest revenue is recognised using the effective interest rate method.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Revenue shall be measured at the fair value of the consideration received or receivable.

The amount of revenue arising on a transaction is usually determined by agreement between the entity and the purchaser or user of the asset or service. It is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In most cases, the consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the inflow of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable. When the arrangement effectively constitutes a financing transaction, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest. The imputed rate of interest is the more clearly determinate of either:

- The prevailing rate for a similar instrument of an issuer with a similar credit rating; or
- A rate of interest that discounts the nominal amount of the instrument to the current cash sales price of the goods or services.

The difference between the fair value and the nominal amount of the consideration is recognised as interest revenue.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction that generates revenue. When goods are sold or services are rendered in exchange for dissimilar goods or services, the exchange is regarded as a transaction that generates revenue. The revenue is measured at the fair value of the goods or services received, adjusted by the amount of any cash or cash equivalents transferred. When the fair value of the goods or services received cannot be measured reliably, the revenue is measured at the fair value of the goods or services given up, adjusted by the amount of any cash or cash equivalents transferred.

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**1.19.3 Grants, Transfers and Donations (Non-Exchange Revenue)**

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

**1.20 RELATED PARTIES**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

Related parties include:

- Entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the reporting entity;
- Individuals owning, directly or Indirectly, an interest in the reporting entity that gives them significant influence over the entity, and close members of the family of any such individual;
- Key management personnel, and close members of the family of key management personnel; and
- Entities in which a substantial ownership interest is held, directly or indirectly, by any person described in the 2nd and 3 bullet, or over which such a person is able to exercise significant influence.

Key management personnel include:

- All directors or members of the governing body of the entity, being the Executive Mayor, Deputy Mayor, Speaker and members of the Mayoral Committee.
- Other persons having the authority and responsibility for planning, directing and controlling the activities of the reporting entity being the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

**1.21. UNAUTHORISED EXPENDITURE**

Unauthorised expenditure Is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in a form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.22. IRREGULAR EXPENDITURE**

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No. 56 of 2003), the Municipal Systems Act (Act No. 32 of 2000), the Public Office Bearers Act, and (Act No. 20 of 1998) or is in contravention of the Municipality's Supply Chain Management Policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.23 FRUITLESS AND WASTEFUL EXPENDITURE**

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

**1.24. CONTINGENT LIABILITIES**

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. A contingent liability could also be a present obligation that arises from past events, but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to the obligation or the amount of the obligation cannot be measured with sufficient reliability.

Management judgement is required when recognising and measuring contingent liabilities.

**1.25. PRESENTATION OF BUDGET INFORMATION**

The presentation of budget information was prepared in accordance with the best practice guidelines issued by National Treasury. The presentation of budget information is in line with the basis of accounting as per the GRAP Framework. GRAP 24: Presentation of Budget Information in Financial Statements is not yet effective. This standard brings new rules in respect of presentation of budget information.

**1.26. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

In the process of applying the Municipality's accounting policy, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

***Post retirement medical obligations, Long service awards and Ex gratia gratuities***

The cost of post retirement medical obligations, long service awards and ex-gratia gratuities are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

***Impairment of trade receivables***

The calculation in respect of the impairment of debtors is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per service-identifiable categories across all classes of debtors.

***Property, plant and equipment***

The useful lives of property, plant and equipment are based on management's estimation. Infrastructure's useful lives are based on technical estimates of the practical useful lives for the different infrastructure types, given engineering technical knowledge of the infrastructure types and service requirements. For other assets and buildings management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values

**GA-SEGONYANA LOCAL MUNICIPALITY****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

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of assets is also based on management's judgement whether the assets will be sold or used to the end of their useful lives, and in what condition they will be at that time.

For deemed cost applied to other assets as per adoption of Directive 7, management used the depreciated cost method which was based on assumptions about the remaining duration of the assets.

For deemed cost applied to land and buildings as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

***Intangible assets***

The useful lives of intangible assets are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate.

For deemed cost applied to intangible assets as per adoption of Directive 7, management used the depreciated cost method which was based on assumptions about the remaining duration of the assets.

***Investment Property***

The useful lives of investment property are based on management's estimation. Management considers the impact of technology, availability of capital funding, service requirements and required return on assets to determine the optimum useful life expectation, where appropriate. The estimation of residual values of assets is also based on management's judgement whether the assets will be sold or used to the end of their economic lives, and in what condition they will be at that time.

For deemed cost applied to investment Property as per adoption of Directive 7, management made use of an independent valuator. The valuator's valuation was based on assumptions about the market's buying and selling trends and the remaining duration of the assets.

***Provisions and contingent liabilities***

Management judgement is required when recognising and measuring provisions and when measuring contingent liabilities. Provisions are discounted where the effect of discounting is material using actuarial valuations.

***Revenue Recognition***

Accounting Policy 1.19.1 on Revenue from Non-Exchange Transactions and Accounting Policy 1.19.2 on Revenue from Exchange Transactions describes the conditions under which revenue will be recognised by management of the Municipality.

In making their judgement, management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: Revenue from Exchange Transactions and GRAP 23: Revenue from

**GA-SEGONYANA LOCAL MUNICIPALITY****NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

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Non-Exchange Transactions.). Specifically, whether the Municipality, when goods are sold, had transferred to the buyer the significant risks and rewards of ownership of the goods and when services are rendered, whether the service has been performed. Revenue from the issuing of spot fines and summonses has been recognised on the accrual basis using estimates of future collections based on the actual results of prior periods. The management of the Municipality is satisfied that recognition of the revenue in the current year is appropriate.

**1.27. TAXES - VALUE ADDED TAX**

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of Value added tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

**1.28. AMENDED DISCLOSURE POLICY**

Amendments to accounting policies are reported as and when deemed necessary based on the relevance of any such amendment to the format and presentation of the financial statements. The principal amendments to matters disclosed in the current financial statements include fundamental errors, and the treatment of assets financed by external grants.

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**GA-SEGONYANA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

	Notes	2011 R	2010 R
<b>2 LONG TERM LIABILITIES</b>			
Annuity Loans - At amortized cost		3,292,586	37,634,327
Capitalised Lease Liability - At amortised cost		843,552	204,309
		33,776,137	37,838,636
<u>Loss:</u> Current Portion transferred to Current Liabilities		3,081,390	5,500,117
Annuity Loans - At amortised cost		2,839,157	5,349,969
Capitalised Lease Liability - At amortised cost		242,233	150,148
<b>Total Long-term Liabilities</b>		<b>30,694,747</b>	<b>32,338,519</b>
Annuity loans at amortised cost is calculated at 5.00%-15.00% Interest rate, with maturity date of 30 June 2027. The schedule of contractual maturity analysis for Annuity Loans:			
The obligations under annuity loans are scheduled below:			
Amounts payable under annuity loans:		<b>Minimum Annual Payments</b>	
Payable within one year		6,609,069	8,175,381
Payable within two to five years		18,574,663	20,762,251
Payable after five years		30,304,297	34,725,778
		55,488,029	63,663,390
<u>Less:</u> Future finance obligations		-22,557,784	-28,028,710
<b>Present value of annuity obligation</b>		<b>32,930,245</b>	<b>37,634,679</b>
The obligations under finance leases are scheduled below:			
Amounts payable under finance leases:			
Payable within one year		298,210	166,560
Payable within two to five years		759,823	55,520
Payable after five years		-	-
		1,058,033	22,080
<u>Less:</u> Future finance obligations		-214,481	-17,771
<b>Present value of lease obligation</b>		<b>843,552</b>	<b>204,309</b>
No existence and terms of renewal or purchase options exist and only the Xerox Copier CS665 has a 10% escalation clause.			
No restrictions are imposed by lease arrangements, such as those concerning return of net surplus, return of capital contributions, dividends, additional debt and further leasing.			
Refer to Appendix A for descriptions, maturity dates and effective interest rates of structured loans and finance.			
Leases are secured by property, plant and equipment	10.00		
Exemptions taken according to Directive 4 Transitional Provisions for Medium and Low Capacity Municipalities	48.06		
<b>3 EMPLOYEE BENEFITS</b>			
Post Retirement Benefits	3.01	7,275,990	5,863,627
Long Service Awards	3.02	1,201,684	10,014,153
<b>Total Non-current Employee Benefit Liabilities</b>		<b>8,477,674</b>	<b>6,877,780</b>
Post Retirement Benefits			
Balance 1 July		5,975,191	5,719,048
Contribution for the year		1,106,408	1,010,522
Expenditure for the year		-647,930	-838,547
Actual Loss / Gain		965,765	-115,832
Total post retirement benefits 30 June		7,399,434	5,975,191
<u>Less:</u> Transfer of Current Portion		-123,444	-111,564
<b>Balance 30 June</b>		<b>7,275,990</b>	<b>5,863,627</b>





## GA-SEGONYANA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

3	EMPLOYEE BENEFITS (CONTINUE)	Notes	2011 R	2010 R
	<b><u>Long Service Awards</u></b>			
	Balance 1 July		1,178,435	989,174
	Contribution for the year		310,826	215,928
	Expenditure for the year		-186,846	-98,553
	Actuarial Loss / (Gain)		4,735	71,886
	Total long service 30 June		1,307,150	1,178,435
	Less: Transfer of Current Portion	5.00	-105,466	-164,282
	<b>Balance 30 June</b>		<b>1,201,684</b>	<b>1,014,153</b>
	<b><u>TOTAL NON-CURRENT EMPLOYEE BENEFITS</u></b>			
	Balance 1 July		7,153,626	6,708,222
	Contribution for the year		1,417,234	1,226,450
	Expenditure for the year		-834,775	-737,099
	Actuarial Loss / (Gain)		970,499	-43,947
	Total employee benefits 30 June		8,706,584	7,153,626
	Less: Transfer of Current Portion	5.00	-228,910	-275,846
	<b>Balance 30 June</b>		<b>8,477,674</b>	<b>6,877,780</b>
3.01	<b>Post Retirement Benefits</b>			
	The Post Retirement Benefit Plan is a defined benefit plan, of which the members are made up as follows:			
	In-service (employee) members		120	120
	Continuation members (e.g. Retirees, widows, orphans)		5	5
	<b>Total Members</b>		<b>125</b>	<b>125</b>
	The liability in respect of past service has been estimated to be as follows:			
	In-service members		5,921,881	4,781,876
	Continuation members		1,477,753	1,193,315
	<b>Total Liability</b>		<b>7,399,634</b>	<b>5,975,191</b>
	No information available in respect of periods commencing prior to the comparative year, as this is the first implementation year.			
	The municipality makes monthly contributions for health care arrangements to the following medical aid schemes:			
	Bonitas    LA Health    Key Health    Hosmed; and    Samwumed			
	Key actuarial assumptions used:		<b>2011</b>	<b>2010</b>
I)	Rate of Interest		%	%
	Discount rate		8.81%	9.00%
	Health Care Cost Inflation Rate		7.37%	1.73%
	Net Effective Discount Rate		1.35%	0.00%
II)	Mortality rates			
	The PA 90 ultimate table, rated down by 1 year of age was used by the actuaries.			
III)	Noithal retirement age			
	It has been assumed that In-service members will retire at ages 65 (male) and 65 (female), which then implicitly allows for expected rates of early and ill-health retirement			
	The amounts recognised in the Statement of Financial Position are as follows:		2011	2010
			R	R
	Present value of fund obligations		7,399,434	5,975,191
	<b>Net Liability / (asset)</b>		<b>7,399,434</b>	<b>59,175,191</b>

The municipality has elected to recognise the full increase in this defined benefit liability immediately as per IAS 19, Employee Benefits, paragraph 155 (a).







## GA-SEGONYANA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

3	EMPLOYEE BENEFITS (CONTINUE)		Notes	2011 R	2010 R
	Reconciliation of present value of fund obligation;				
	Present value of fund obligation at the beginning of the year			5,975,191	5,719,048
	Total Expenses			458,478	371,975
	Current service cost			573,565	511,092
	Interest Cost			532,843	499,430
	Benefits Paid			-647,930	-6,388,547
	Actuarial (gains) / losses			965,765	-115,832
	Present value of fund obligation at the end of the year			7,399,434	5,975,191
	Less:	Transfer of Current Portion	5.00	-123,444	-111,564
	<b>Balance 30 June</b>			<b>7,275,990</b>	<b>5,863,627</b>
	Sensitivity Analysis on the Accrued Liability				
	<b>Assumption</b>	<b>In-service members liability (Rm)</b>	<b>Continuation members liability (Rm)</b>	<b>Total Liability (Rm)</b>	
	Central Assumptions	5,922	1,478	7,399	
	The effect of movements in the assumptions are as follows:				
	<b>Assumption</b>	<b>Change</b>	<b>In-service members liability (Rm)</b>	<b>Continuation members liability (Rm)</b>	<b>Total Liability (Rm)</b>
	Health care inflation	1%	7,177	1,608	8,785
	Health care Inflation	-1%	4,936	1,362	6,298
	Post-retirement mortality	-1 Year	8,129	1,542	7,671
	Average retirement age	-1 Year	6,457	1,478	7,935
	Withdrawal Rate	-50%	6,508	1,478	7,986
				<b>2011</b>	<b>2010</b>
				<b>R</b>	<b>R</b>
3.02	Long Service Bonuses				
	The Long Service Bonus plans are defined benefit plans. As at year end, 241 employees were eligible for Long Service Bonuses.				
	The Current-service Cost for the year ending 30 June 2011 is R 221,537. The Current-service Cost for the ensuing year has been estimated to be R 195,569.				
				<b>2011</b>	<b>2010</b>
	Key actuarial assumptions used:			<b>%</b>	<b>%</b>
	1) Rate of Interest				
	Discount rate			7.89%	8.16%
	General Salary Inflation (tone-term)			6.30%	6.19%
	Net Effective Discount Rate applied to salary-related Long Service Bonuses			1.49%	1.88%
				<b>2011</b>	<b>2010</b>
	The amounts recognised in the Statement of Financial Position are as Follows:			<b>R</b>	<b>R</b>
	Present value of fund obligations			1,307,150	1,178,435
	<b>Net liability / (Asset)</b>			<b>1,307,150</b>	<b>1,178,453</b>
	Reconciliation of present value of fund obligation:				
	Present value of fund obligation at the beginning of the year			1,178,435	989,174
	Total expenses			123,980	17,375
	Current service cost			221,237	141,182
	Interest Cost			89,589	74,746
	Benefits Paid			-186,846	-98,553
	Actuarial (gains) / losses			4,735	71,886
	Present value of fund obligation at the end of the year			1,307,150	117,843
	Less:	Transfer of Current Portion		-105,466	-164,282
	<b>Balance as at 30 June</b>			<b>1,201,684</b>	<b>1,014,153</b>



**GA-SEGONYANA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

<b>3 EMPLOYEE BENEFITS (CONTINUE)</b>	<b>Notes</b>	<b>2011 R</b>	<b>2010 R</b>
Sensitivity Analysis on the Unfunded Accrued Liability			
Assumption	Change	Liability (Rm)	% change
Central assumptions		1,307	
General salary Inflation	1%	1,398	7%
General salary Inflation	1%	1,225	-8%
Average retirement age	-2 Years	1,204	-8%
Average retirement age	2 Years	1,423	9%
Withdrawal rates	-50%	1,538	18%
Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities.	48.01		
<b>4 CONSUMER DEPOSITS</b>		2011 R	2010 R
Water & Electricity		1,831,834	1,577,213
Correction of AFS 2010 amount disclosed - Moved from Trade and Other Payables	7.00	-	1,577,213
<b>Total Consumer Deposits</b>		<b>1,831,834</b>	<b>1,577,213</b>
<b>5 CURRENT EMPLOYEE BENEFITS</b>			
Current Portion of Post Retirement Benefits	3.00	123,444	111,564
Current Portion of Long-Service Awards	3.00	105,466	164,282
Staff Leave		1,287,394	1,104,346
Correction of AFS 2010 amount disclosed - Moved from Current Provisions	6.00	-	1,104,346
<b>Total Current Employee Benefits</b>		<b>1,496,304</b>	<b>1,380,192</b>
The movement In current employee benefits are reconciled as follows:			
<b>Staff Leave</b>			
Balance at beginning of year		1,104,346	1,357,454
Contribution to current portion		600,997	465,108
Expenditure Incurred		-437,949	-718,216
<b>Balance at end of year</b>		<b>1,267,394</b>	<b>1,104,346</b>
Staff leave accrued to employees according to collective agreement. Provision is made for the full cost of accrued leave at reporting date. This provision will be realised as employees take leave.			
Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities.	48.01		
<b>6 PROVISIONS</b>			
Provision for Leave		-	-
Balance previously reported		-	1,104,348
Correction of AFS 2010 amount Disclosed - Moved to Current Employee Benefits	5.00	-	-1,104,348
Provision for Bad Debts		-	-
Balance previously reported		-	3,213,661
Correction of AFS 2010 amount disclosed - Moved to Trade and other receivables from Exchange transactions	16.00	-	-1,978,916
Correction of AFS 2010 amount disclosed - Moved to Trade and other receivables from Exchange transactions	17.00	-	-1,234,745
		-	-

**GA-SEGONYANA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

		2011.00	2010
		R	R
<b>7</b>	<b>TRADE AND OTHER PAYABLES</b>	<b>375.25</b>	
	Retentions	3,354,985	2,237,341
	Deposits received	270,518	1,007,784
	Balance previously reported	-	2,610,898
	Correction of AFS 2010 amount disclosed - Moved to Consumer Deposits	4.00	-1,577,213
	Correction of AFS 2010 amount disclosed - Moved to Accumulated Surplus	31.22	375
	Correction of AFS 2010 amount disclosed- Moved to Accumulated Surplus	31.22	-26,294
	<b>Total Trade Payables</b>	<b>3,625,503</b>	<b>3,245,105</b>
Payables are being paid within 30 days as prescribed by me MFMA. Payables are being recognised net of any discounts.			
<b>8</b>	<b>UNSPENT CONDITIONAL GOVERNMENT GRANTS AND RECEIPTS</b>		
	Unspent Grants	3,099,333	5,640,030
	National and Provincial Government Grants	3,099,333	5,640,030
	Less: Unpaid Grants	829,321	-
	National and Provincial Government Grants	829,321	-
	<b>Total Conditional Grants and Receipts</b>	<b>2,270,012</b>	<b>5,640,030</b>
See appendix F for reconciliation of grants from other spheres of government The Unspent Grants are cash-backed by term deposits. The municipality complied with the conditions attached to all grants received to me extent of revenue recognised. No grants were withheld.			
<b>9</b>	<b>VAT RECEIVABLE FROM EXCHANGE-TRANSACTIONS</b>		
	VAT Receivable	-4,067,950	-154,959
	<b>VAT is payable/receivable on the cash basis.</b>	<b>4,067,905</b>	<b>154,959</b>

**GA-SEGONYANA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

**PROPERTY, PLANT EN EQUIPMENT**

Reconciliation of Carrying Value	Cost				Accumulated Depreciation				Carrying Value
	Opening Balance R	Additions R	Disposals R	Closing Balance R	Opening Balance R	Additions R	Disposals R	Closing Balance R	
<b>30 JUNE 2011</b>									
<b>Land and Buildings</b>	<b>50,290,796</b>	<b>7,638,391</b>	<b>-</b>	<b>57,929,187</b>	<b>169,694</b>	<b>56,779</b>	<b>-</b>	<b>226,473</b>	<b>57,702,714</b>
Land	44,330,900	-	-	44,330,900	-	-	-	-	44,330,900
Buildings	5,959,896	7,638,391	-	13,598,287	189,694	56,779	-	226,473	13,371,814
<b>Infrastructure</b>	<b>1,002,190,879</b>	<b>21,874,653</b>	<b>-</b>	<b>1,024,065,532</b>	<b>106,158,148</b>	<b>36,398,739</b>	<b>-</b>	<b>142,556,887</b>	<b>881,508,645</b>
Road Network	210,450,781	-	-	210,450,781	23,119,241	7,722,728	-	30,841,970	179,608,811
Infrastructure	69,241,574	-	-	69,241,547	9,571,760	3,190,587	-	12,762,346	56,479,228
Sanitation Network	85,581,775	-	-	85,581,775	8,295,052	2,817,704	-	11,112,757	74,469,018
Electricity Network	310,368,449	5,173,126	-	315,536,575	34,249,642	11,428,014	-	45,677,655	269,858,920
Water Network	326,553,300	16,701,528	-	343,254,827	30,922,453	11,239,706	-	42,162,159	301,092,868
<b>Lease Assets</b>	<b>418,000</b>	<b>923,000</b>	<b>-</b>	<b>1,341,000</b>	<b>232,222</b>	<b>321,050</b>	<b>-</b>	<b>553,272</b>	<b>787,728</b>
Office Equipment	418,000	923,000	-	1,341,000	232,222	321,050	-	553,272	787,728
<b>Other Assets</b>	<b>32,315,089</b>	<b>761,393</b>	<b>285,000</b>	<b>32,791,482</b>	<b>17,700,327</b>	<b>3,508,442</b>	<b>192,937</b>	<b>21,013,832</b>	<b>11,777,650</b>
Plant And Equipment	7,384,188	214,100	-	7,598,288	4,293,553	683,944	-	4,977,497	2,620,791
Furniture & Fittings	5,681,733	308,424	-	5,990,157	3,567,954	618,756	-	418,610	1,803,448
Office Equipment	5,069,404	224,005	-	5,293,409	3,150,028	636,043	-	3,786,017	1,507,338
Water Craft	1,185	-	-	1,185	662	60	-	723	462
Emergency Equipment	104,241	14,864	-	119,105	38,898	10,376	-	49,275	69,830
Motor Vehicles	13,758,463	-	285,000	13,473,463	6,413,569	1,533,584	192,937	7,754,217	5,719,246
Bins & Containers	315,875	-	-	315,875	235,662	23,679	-	259,341	56,534
	<b>1,085,214,764</b>	<b>31,197,437</b>	<b>285,000</b>	<b>1,116,127,201</b>	<b>124,260,391</b>	<b>402,830,410</b>	<b>192,937</b>	<b>164,350,465</b>	<b>951,778,737</b>

**GA-SEGONYANA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

**PROPERTY, PLANT EN EQUIPMENT**

Reconciliation of Carrying Value		Opening Balance	Additions	Cost Disposals	Closing Balance	Opening Balance	Additions	Accumulated Depreciation Disposals	Closing Balance	Carrying Value
		R	R	R	R	R	R	R	R	R
<b>30 JUNE 2011</b>										
<b>Land and Buildings</b>		<b>44,914,076</b>	<b>5,376,720</b>	<b>-</b>	<b>50,290,796</b>	<b>113,103</b>	<b>56,590</b>	<b>-</b>	<b>169,694</b>	<b>121,102</b>
Land		44,330,900	-	-	44,330,900	-	-	-	-	330,900
Balance previously reported		5,299,906	-	-	5,299,906	-	-	-	-	5,299,906
Correction of error	31.12	39,030,994	-	-	39,030,994	-	-	-	-	39,030,994
Buildings		583,176	5,376,720	-	5,959,869	113,103	56,590	-	169,694	5,790,202
Balance previously reported		27,588,841	5,336,720	-	32,925,561	4,395,043	919,211	-	5,314,254	27,611,307
Correction of error	31.12	-27,005,665	40,000	-	-26,965,665	-	-	-	-	-26,965,665
Correction of error	31.13	-	-	-	-	-42,810,940	-862,621	-	-5,144,560	5,144,560
<b>Infrastructure</b>		<b>971,471,806</b>	<b>30,719,073</b>	<b>-</b>	<b>1,002,190,879</b>	<b>70,675,776</b>	<b>35,482,372</b>	<b>-</b>	<b>106,158,148</b>	<b>898,032,731</b>
Reservoirs - Water		-	-	-	-	-	-	-	-	-
Balance previously reported		294,341	-	-	294,341	153,170	14,716	-	167,886	12,455
Correction of error	31.12	-291,341	-	-	-294,341	-	-	-	-	-341
Correction of error	31.13	-	-	-	-	-153,170	-14,716	-	-167,886	7,886
Road Network		210,443,237	7,544	-	210,450,781	15,396,513	7,722,728	-	23,119,241	17,331,540
Balance previously reported		21,811,483	7,544	-	21,819,027	12,156,132	1,907,334	-	1,406,366	7,755,561
Correction of error	31.12	188,631,754	-	-	188,631,754	-	-	-	-	188,631,754
Correction of error	31.13	-	-	-	-	3,240,381	5,815,394	-	9,056,775	-9,055,775
Storm Water		69,241,574	-	-	69,241,574	6,381,173	3,190,587	-	9,571,760	59,669,814
Balance previously reported		2,829,045	-	-	2,829,045	-	-	-	-	2,829,045
Correction of error	31.12	66,412,529	-	-	66,412,529	-	-	-	-	66,412,529
Correction of error	31.13	-	-	-	-	6,381,173	3,190,587	-	9,571,760	-9,571,760
Sanitation Network		84,940,142	641,633	-	85,581,775	5,504,804	2,790,248	-	8,295,052	77,286,723
Balance previously reported		24,444,708	641,633	-	25,088,339	5,541,724	1,206,591	-	6,748,315	18,338,024
Correction of error	31.12	60,495,436	-	-	80,495,436	-	-	-	-	60,495,436
Correction of error	31.13	-	-	-	-	-36,920	1,583,657	-	1,546,737	-1,546,737
Electricity Network		301,040,281	9,323,168	-	310,363,449	22,833,094	11,416,547	-	34,249,642	276,113,808
Balance previously reported		32,379,738	9,323,168	-	41,702,906	12,693,429	1,703,868	-	14,397,297	2,705,609
Correction of error	31.12	268,660,543	-	-	268,660,543	-	-	-	-	268,660,543
Correction of error	31.13	-	-	-	-	10,139,665	9,712,879	-	19,852,345	-1,985,345
Water Meters		-	-	-	-	-	-	-	-	-
Balance previously reported		1,339,938	-	-	1,339,938	376,650	89,124	-	465,774	874,164
Correction of error	31.12	-1,339,938	-	-	-1,339,938	-	-	-	-	-1,339,938
Correction of error	31.13	-	-	-	-	-376,650	-89,124	-	-465,774	465,774
Water Network		30,580,572	20,746,728	-	326,553,300	20,560,191	10,362,262	-	30,922,453	295,630,847
Balance previously reported		37,128,561	20,746,728	-	57,875,289	9,623,472	187,887	-	11,471,356	46,403,933
Correction of error	31.12	268,678,011	-	-	268,678,011	-	-	-	-	268,678,011
Correction of error	31.13	-	-	-	-	10,936,719	8,514,378	-	19,451,097	-19,451,097

**GA-SEGONYANA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

**PROPERTY, PLANT EN EQUIPEMENT**

Reconciliation of Carrying Value		Cost			Opening Balance	Accumulated Depreciation			Carrying Value
		Opening Balance	Additions	Disposals		Additions	Disposals	Closing Balance	
		R	R	R	R	R	R	R	R
<b>30 JUNE 2011</b>									
<b>Community Assets</b>		-	-	-	-	-	-	-	-
<b>Parks &amp; Gardens</b>		-	-	-	-	-	-	-	-
Balance previously reported		3,541,039	-	-	3,541,039	768,649	118,028	886,677	2,654,362
Correction of error	31.12	-3,541,039	-	-	-3,541,039	-	-	-	-3,541,039
Correction of error	31.13	-	-	-	-	-768,649	-118,028	-886,677	886,677
<b>Libraries</b>		-	-	-	-	-	-	-	-
Balance previously reported		83,690	40,000	-	123,690	28,254	2,925	31,179	92,511
Correction of error	31.12	-83,690	-40,000	-	-123,690	-	-	-	-123,690
Correction of error	31.13	-	-	-	-	-28,254	-2,925	-31,179	31,179
<b>Recreation Grounds</b>		-	-	-	-	-	-	-	-
Balance previously reported		1,603,006	-	-	1,603,006	157,632	-	157,632	1,445,374
Correction of error	31.12	-1,603,006	-	-	-1,603,006	-	-	-	-1,603,006
Correction of error	31.13	-	-	-	-	-157,632	-	-157,632	157,632
<b>Stadiums</b>		-	-	-	-	-	-	-	-
Balance previously reported		420,000	-	-	420,000	132,761	13,999	146,760	273,240
Correction of error	31.12	-420,000	-	-	-420,000	-	-	-	-420,000
Correction of error	31.13	-	-	-	-	-132,761	-13,999	-146,760	146,760
<b>Halls</b>		-	-	-	-	-	-	-	-
Balance previously reported		861,490	-	-	861,490	109,291	26,715	138,006	723,484
Correction of error	31.12	-861,490	-	-	-861,490	-	-	-	-861,490
Correction of error	31.13	-	-	-	-	-109,291	-26,715	-138,006	138,008
<b>Swimming Pools</b>		-	-	-	-	-	-	-	-
Balance previously reported		312,690	-	-	312,690	139,723	15,664	155,387	157,303
Correction of error	31.12	-312,690	-	-	-312,690	-	-	-	-312,690
Correction of error	31.13	-	-	-	-	-139,723	-15,664	-155,387	155,387
<b>Cemeteries</b>		-	-	-	-	-	-	-	-
Balance previously reported		20,000	-	-	20,000	4,893	667	5,560	14,440
Correction of error	31.12	-20,000	-	-	-20,000	-	-	-	-20,000
Correction of error	31.13	-	-	-	-	-4,893	-667	-5,560	5,560

**GA-SEGONYANA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

**PROPERTY, PLANT EN EQUIPMENT**

Reconciliation of Carrying Value		Opening Balance	Additions	Cost Disposals	Closing Balance	Opening Balance	Additions	Accumulated Depreciation Disposals	Closing Balance	Carrying Value
		R	R	R	R	R	R	R	R	R
<b>30 JUNE 2011</b>										
<b>Heritage assets</b>		-	-	-	-	-	-	-	-	-
Paintings & Artifacts		-	-	-	-	-	-	-	-	-
Balance previously reported		1,777	-	-	1,777	-	-	-	-	1,777
Correction of error	31.12	-1,777	-	-	-1,777	-	-	-	-	-1,777
<b>Lease Assets</b>		418,000	-	-	418,000	92,889	139,333	-	232,222	185,778
Office Equipment		418,000	-	-	418,000	98,889	139,333	-	232,222	185,778
Balance previously reported		-	-	-	-	-	-	-	-	-
Correction of error	31.12	418,000	-	-	418,000	92,889	139,333	-	232,222	185,778
<b>Other Assets</b>		18,903,169	13,777,236	365,316	32,315,089	-	3,267,702	311,487	17,700,327	14,614,762
Plant And Equipment		325,872	7,194,684	163,388	7,384,188	14,744,112	625,283	163,277	4,293,553	3,090,635
Balance previously reported		-	-	-	-	3,831,547	-	-	-	-
Correction of error	31.12	352,872	7,194,684	163,368	7,384,188	-	-	-	-	7,384,188
Correction of error	31.13	-	-	-	-	3,831,547	625,283	163,277	4,293,553	-4,293,553
Furniture & Fittings		562,236	5,139,080	19,563	5,681,733	3,004,896	579,675	16,817	3,567,954	2,113,779
Balance previously reported		5,260,782	-	19,563	5,241,219	3,807,406	457,419	16,817	4,246,008	993,211
Correction of error	31.12	-4,698,546	5,139,060	-	440,514	-	-	-	-	40,514
Correction of error	31.13	-	-	-	-	-802,510	122,456	-	-680,054	680,054
Office Equipment		4,828,146	303,643	62,385	5,069,404	2,634,742	556,268	40,982	3,150,028	1,919,376
Balance previously reported		1,030,113	-	6,030	1,024,083	929,920	59,178	6,030	983,066	41,017
Correction of error	31.12	3,798,033	303,643	56,355	4,045,321	-	-	-	-	4,045,321
Correction of error	31.13	-	-	-	-	1,704,822	497,092	34,952	2,166,962	-2,166,962
<b>Other Assets</b>		-	-	-	-	-	-	-	-	-
Balance previously reported		20,865,270	1,233,744	163,368	33,035,646	11,507,857	1,586,016	163,277	12,930,596	20,105,050
Correction of error	31.12	-20,865,270	-1,233,744	-163,368	-33,035,646	-	-	-	-	-33,035,646
Correction of error	31.13	-	-	-	-	-11,507,857	-1,586,016	-163,277	-12,930,596	12,930,596
Water Craft		1,185	-	-	1,185	602	60	-	662	523
Balance previously reported		-	-	-	-	-	-	-	-	-
Correction of error	31.12	1,185	-	-	1,185	-	-	-	-	1,185
Correction of error	31.13	-	-	-	-	602	60	-	662	-662



**GA-SEGONYANA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

**PROPERTY, PLANT EN EQUIPMENT**

Reconciliation of Carrying Value		Cost			Accumulated Depreciation				Carrying Value
		Opening Balance	Additions	Disposals	Opening Balance	Additions	Disposals	Closing Balance	
		R	R	R	R	R	R	R	R
<b>30 JUNE 2011</b>									
Emergency Equipment		104,241	-	-	104,241	30,809	8,090	-	65,343
Balance previously reported		104,241	-	-	104,241	46,793	8,581	-	48,867
Correction of error	31.13	-	-	-	-	-15,984	-491	-	16,478
Motor Vehicles		12,761,814	1,116,649	120,000	13,758,463	5,027,264	1,478,716	90,411	7,344,894
Balance previously reported		13,505,437	1,118,649	120,000	14,502,086	9,045,221	1,754,787	90,411	3,792,489
Correction of error	31.12	-743,623	-	-	-743,623	-	-	-	-743,623
Correction of error	31.13	-	-	-	-	-4,017,957	-278,071	-	4,296,028
Bins & Containers		292,675	23,200	-	315,875	214,252	21,410	-	80,213
Balance previously reported		292,675	23,200	-	315,875	279,367	9,751	-	28,757
Correction of error	31.13	-	-	-	-	-65,115	11,659	-	53,456
Fire Engines		-	-	-	-	-	-	-	-
Balance previously reported		2,172	-	-	2,172	1,884	109	-	179
Correction of error	31.12	-2,172	-	-	-2,172	-	-	-	-2,172
Correction of error	31.13	-	-	-	-	-1,884	-109	-	1,993
Computer Equipment		-	-	-	-	-	-	-	-
Balance previously reported		4,371,314	303,643	56,355	4,618,602	3,520,681	287,101	34,952	845,772
Correction of error	31.12	-4,371,314	-303,643	-56,355	-4,618,602	-	-	-	-4,618,602
Correction of error	31.13	-	-	-	-	-3,520,681	-287,101	-34,952	3,772,830
Abattoir		-	-	-	-	-	-	-	-
		<b>1,035,707,051</b>	<b>49,873,029</b>	<b>365,316</b>	<b>1,085,214,764</b>	<b>85,625,880</b>	<b>38,945,998</b>	<b>311,487</b>	<b>960,954,373</b>

**GA-SEGONYANA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

10	PROPERTY, PLANT AND EQUIPMENT (CONTINUED)	Notes	2011 R	2010 R
	Impairment of property plant and equipment			
	Impairment charges on Property, plant and equipment recognised in statement of financial performance			
	Land and Buildings		-	-
	Infrastructure		-	-
	Community Assets		-	-
	Lease Assets		-	-
	Heritage		-	-
	Other		92,063	-
			<b>92,063</b>	<b>-</b>
11	<b>INVESTMENT PROPERTY</b>			
	Net Carrying amount as at 1 July		1,635,420	1,652,280
	Cost		1,680,000	1,686,000
	Correction of error- investment Property Previously not recognised	31.17	-	1,686,000
	Accumulated Depredation		-50,580	-33,720
	Depreciation for the year		-16,880	-16,860
	Net Carrying amount at 30 June		1,618,560	1,635,420
	Cost		1,686,000	1,686,000
	Accumulated Depreciation		-67,440	-50,580
	Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities			
	Revenue derived from the rental of Investment property:	48.03		
	Commonage Rent		-	-
	Municipal Housing Rent		-	-
	Operating expenditure Incurred on properties generating revenue		-	-
	Operating expenditure Incurred on properties not generating revenue		-	-
	There are no restrictions on the reliability of Investment Property or the remittance of revenue and proceeds of disposal.			
	There are no contractual obligations to purchase, construct or develop investment property or for napalm, maintenance or enhancements.			
	<b>Estimated Fair Value of Investment Property at 30 June</b>		<b>1,686,000</b>	<b>1,886,000</b>
	Fair value was determined by valuation rot of 1 July 2009.			
	Cost module is being used for Investment Properties			
12	<b>INTANGIBLE ASSETS</b>			
	Computer System & Software			
	Net Carrying amount at 1 July		332,103	455,289
	Cost		1,974,569	1,974,569
	<b>Intangible Assets not previously recognised transferred from Accumulated Surplus</b>		-	1,974,589
	Accumulated Amortization		-1,642,466	-1,519,281
	Amortization		-132,397	-123,185
	Amortization 2008/09 not previously recognised transferred from Statement of Financial Performance		-132,397	-123,185
	Net Carrying amount at 30 June		199,707	332,103
	Cost		1,974,569	1,974,569
	<b>Accumulated Amortization</b>		<b>-1,774,863</b>	<b>-1,642,466</b>

**GA-SEGONYANA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

		Notes
12	<b>INTANGIBLE ASSETS (CONTINUED)</b>	
	Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities	48.04
	QRAP102 - Intangible Assets	
	<b>Description</b>	<b>Remaining Amortization Period</b>
		<b>Carrying Value</b>
		2011 R
		2010 R
	None	
	No intangible asset were assessed as Having an indefinite useful life.	
	There are no intangible assets whose title is restricted.	
	There are no Intangible assets pledged as security for liabilities	
	There are no contractual commitments for the acquisition of intangible assets.	
13	<b>NON-CURRENT INVESTMENTS</b>	
	<b>Listed</b>	222
	Listed Shares	498
	<b>Total Non-Current Investments</b>	<b>222</b>
	Listed shares are held In public companies. No specific maturity dates and Interest rates an applicable to these shares.	
	<b>LONG TERM RECEIVABLES</b>	
	Trade and other receivables with arrangements	81,586
	Housing loans	469,655
	Balance previously reported	-
	Correction of AFS 2C-10 amount disclosed - Moved from Trade Receivables from exchange transactions	-
	Correction of Are 2010 amount disclosed- Moved to Accumulated Surplus	-
	<b>Total Long Term Receivables</b>	<b>551,241</b>
	<b>TRADE AND OTHER RECEIVABLES WITH ARRANGEMENTS</b>	
	When the public has outstanding service accounts that cannot be paid In full, they make arrangements with Ga-Segonyana Municipality to pay their accounts at a fend Installment over a period. Arrangements are repayable up to me year 2013.	
	<b>HOUSING LOANS</b>	
	Housing loans are not granted to officials of the municipality. The outstanding amount relates to prior years and is still collectable. Personnel were entitled to loans which attract Interest at 6-8% per annum and which are repayable over a maximum period of 40 years. These loans are repayable up to the year 2024.	



## GA-SEGONYANA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2011 R	2010 R
<b>15 INVENTORY</b>			
Consumable Stores and Fuel - At cost		6,738,543	6,824,701
Correction of AFS 2010 amount disclosed - Moved from Accumulated surplus	31.22	-	86,591
<b>Total Inventory</b>		<b>6,738,543</b>	<b>6,911,292</b>
Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities	48.05		
receivables from exchange transactions are debtors with a credit balance			
<b>16 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS</b>			
Service receivables			
Water		1,086,087	985,652
Electricity		4,018,831	4,415,986
Other Trade Receivables		5,541,049	5,371,070
refuse		3,579,167	2,908,651
Sewerage		6,210,037	5,220,502
Total Service Receivables		20,435,191	18,899,861
Less: Allowance for Doubtful Debts		-11,931,548	-8,361,255
Correction of AFS 2010 amount disclosed - Moved from Current Provisions	6.00	-	-1,978,918
<b>Net Service receivables</b>		<b>8,503,642</b>	<b>8,559,690</b>
<b>Other Receivables</b>			
Other Arrears		98,012	98,012
Employ as Cost in Advance		15,824	15,824
Deposits		82,188	82,188
VAT		-	154,959
Corrections of AFS 2010 amount disclosed - Moved to Accumulated Surplus	31.22	-	-154,959
Total Other Receivables		98,012	98,012
Less: Allowance for Doubtful Debts		-	-
<b>Net Other Receivables</b>		<b>98,012</b>	<b>98,012</b>
<b>Total Net Receivables form Exchange Transactions</b>		<b>8,610,654</b>	<b>8,657,702</b>
Ageing of Receivables from Exchange Transactions			
(Electricity): Ageing			
Current (0-3- days)		1,991,390	2,569,131
31 - 60 Days		493,104	520,206
61 - 90 Days		400,030	350,640
+90 Days		1,134,307	978,009
<b>Total</b>		<b>4,018,831</b>	<b>4,415,986</b>



## GA-SEGONYANA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

16	Notes	2011	2010
		R	R
<b>TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS (CONTINUE)</b>			
<b><u>(Water): Ageing</u></b>			
Current (0-30 days)		335,674	348,207
31 - 60 Days		150,691	158,069
61 - 90 Days		87,452	58,991
+90 Days		512,270	420,385
<b>Total</b>		<b>1,086,087</b>	<b>985,662</b>
<b><u>(Refuse): Ageing</u></b>			
Current (0 - 30 days)		311,583	303,066
31 - 60 Days		143,876	129,359
61 - 90 Days		116,020	96,757
+90 Days		3,007,708	2,377,469
<b>Total</b>		<b>3,579,187</b>	<b>2,906,651</b>
<b><u>(Sewerage): Ageing</u></b>			
Current (0 - 30 days)		547,162	530,141
31 - 60 Days		260,205	245,368
61 - 90 Days		188,087	185,039
+90 Days		5,214,583	4,259,954
<b>Total</b>		<b>6,210,037</b>	<b>5,220,502</b>
<b><u>(Other Trade Receivables): Ageing</u></b>			
Current (0 - 30 days)		1,247,550	385,163
31 - 60 Days		406,440	1,537,420
1 - 90 Days		353,449	100,865
+90 Days		3,533,610	3,347,622
<b>Total</b>		<b>5,541,049</b>	<b>5,371,070</b>
<b><u>(Other Trade Receivables): Ageing</u></b>			
Current (0 - 30 days)		-	-
31 - 60 Days		-	-
1 - 90 Days		-	-
+90 Days		98,012	98,012
<b>Total</b>		<b>98,012</b>	<b>98,012</b>
<b>17 TRADE AND OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS</b>			
<b>Service Receivables</b>			
Taxes – Rates		5,792,703	4,766,354
Other Receivables		2,959,149	5,032,755
Donation & subsidies		31,063	31,063
Revolving fund advance housing loan		-	510,414
Land trust funds debtors		-	6,306
Corrections of AFS 2010 amount disclosed - Moved to Long Term Receivables		-	-516,720
Debtors general sundry		7,999	7,999
Debtors sundry		2,761,917	3,775,325
Correction o AFS 2010 amount discloses - Moved from Accumulated Surplus		-	1,147,204
Creditors Control		87,008	-
Debtors housing		71,770	71,770
Total Service Receivables		8,751,852	9,799,109
Less: Allowance for Doubtful Debts		-3,210,206	-2,641,423
<b>Net Service Receivables</b>		<b>5,541,646</b>	<b>7,157,686</b>
<b>Total Net Receivables from Non-Exchange Transactions</b>		<b>5,541,646</b>	<b>7,157,686</b>



## GA-SEGONYANA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

			Notes	2011 R	2010 R
17	<b>TRADE AND OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (CONTINUE)</b>				
	<b>Ageing of Receivables from Non Exchange Transactions</b>				
	<b>(Rates): Ageing</b>				
	Current (0-30 days)			-567	3,000
	31-60 Days			147,767	106,478
	61-90 Days			102,997	58,468
	+90 Days			5,542,506	4,598,408
	<b>Total</b>			<b>5,792,703</b>	<b>4,766,364</b>
	<b>(Debtors sundry): Ageing</b>				
	Current (0-30 days)			61,622	-
	31-60 Days			56,410	-
	61-90 Days			45,533	-
	+90 Days			2,598,352	-
				<b>2,761,917</b>	<b>-</b>
	No ageing of debtors sundry of trade and other receivables from non-exchange transactions for 2010 available.				
18	<b>TRADE AND OTHER RECEIVABLES FROM EXCHANGE AND NON-EXCHANGE TRANSACTIONS</b>				
	<b>Summary of Receivables by Customer Classification</b>				
		Residential, Industrial & Commercial R's	Other Debtors R's	National and Provincial Government R's	Total R's
	<b>2011</b>				
	Total Receivables	26,885,021	-	2,400,033	29,285,055
	Less; Provision for doubtful debts	-15,141,754	-	-	-15,141,754
	<b>Total Recoverable debtors by customer classification</b>	<b>11,743,267</b>	<b>-</b>	<b>2,400,033</b>	<b>14,143,300</b>
	<b>Summary of Receivables by Customer Classification</b>				
		Residential, Industrial & Commercial R's	Other Debtors R's	National and Provincial Government R's	Total R's
	<b>2010</b>				
	Total Receivables	27,413,658	-	1,383,324	28,796,982
	Less; Provision for doubtful debts	-12,981,594	-	-	-12,981,594
	<b>Total Recoverable debtors by customer classification</b>	<b>14,432,064</b>	<b>-</b>	<b>1,383,324</b>	<b>15,815,389</b>
	Summary of Receivables by Customer Classification				
	<b>Trade and other receivables impairment</b>				
		Exchange Transactions R's		Non- Exchange Transactions R's	Total R's
	<b>2011</b>				
		-			
	<b>Total</b>	<b>11,931,548</b>		<b>-3,210,206</b>	<b>-15,141,754</b>
	<b>2010</b>	<b>10,340,171</b>		<b>-2,641,423</b>	<b>-12,981,594</b>
	Total				
	Debts (Rates) are required to be settled after 30 days, interest is charged after this date at prime +1%. The fair value of trade and other receivables approximates their carrying amounts.				
	<b>Reconciliation of the Total doubtful debt provision</b>				
				2011 R	2010 R
	Balance at beginning of the year			12,981,594	2,177,005
	Contributions to provision			2,165,720	1,088,110
	Correction on Debt Impairment and Provision for impairment as Trial Balance amount was not disclosed in Financial Statements.		31.23	-	9,767,933
	Doubtful debts written off against provision			-5,560	-29,454
	<b>Balance at end of year</b>			<b>15,141,754</b>	<b>12,981,594</b>







## GA-SEGONYANA LOCAL MUNICIPALITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

19	OPERATING LEASE ARRANGEMENTS	Notes	2011	2010
			R	R
	<b>19.01 The Municipality as Lessor</b>			
	<b>Balance on 1 July</b>		1,961	-
	Operating Lease Asset previously not recognized	31.16	-	1,961
	Restated Balance on 1 July		1,961	1,961
	Movement during the year		17	-
			<b>1,978</b>	<b>1,961</b>
	<b>Balance on 30 June</b>			
	Ga-Segonyana Municipality is leasing offices and land for periods of 24 - 36 months with escalations of 10% - 12% per year.			
	At the Statement of Financial Position date, where the municipality acts as a lessor under operating leases, it will receive operating lease income as follows:			
	Up to 1 Year		34,748	51,524
	1 to Years		-	34,748
	More than 5 Years		-	-
			<b>34,748</b>	<b>86,272</b>
	<b>Total Operating Lease Arrangements</b>			
	This lease income was determined from contracts that have a specific conditional income and does not include lease income which has an undetermined conditional income.			
	Exemptions taken according to Directive 4 - Transitional Provisions for Medium and Low Capacity Municipalities.			
		48.06		
20	<b>CASH AND CASH EQUIVALENTS</b>			
	<b>Assets</b>			
	Primary Band Account		-	4,904,008
	Correction of AFS 2010 amount disclosed - Moved from Accumulated Surplus	31.22	-	5,000
	Correction of AFS 2010 amount disclosed - Moved from Accumulated Surplus	31.22	-	-1,100,868
	Bank Account – TMT		951	951
	Cash Floats		6,520	3,720
	<b>Total Cash and Cash Equivalents – assets</b>		<b>7,471</b>	<b>3,812,811</b>
	<b>Liabilities</b>			
	Primary Bank Account		-2,334,704	-
	<b>Total Cash and Cash Equivalents – Liabilities</b>		<b>-2,334,704</b>	<b>-</b>

Cash and cash equivalents comprise cash held and short term deposits. The carrying amount of these assets approximates their fair value.

**GA-SEGONYANA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

20	CASH AND CASH EQUIVALENTS (CONTINUE)	2011 R	2010 R
	The municipality has the following bank accounts:		
	<b><u>Current Accounts</u></b>		
	Kuruman ABSA Account number: 40 5218 3325 (Primary Bank Account):	(2 334 704)	4 904 008
	Kimberley ABSA Account Number: 40 6020 4391 (Bank Account - TMT):	951	951
		<b>-2 333 753</b>	<b>4 904 959</b>
	Traffic account is cleared daily to Primary Bank Account.		
	<b><u>Kuruman ABSA Account number: 40 5218 3325 (Primary Bank Account):</u></b>		
	Cash book balance at beginning of year	4 904 008	-
	Cash book balance at end of year	(2 334 704)	4 904 008
	Bank statement balance at beginning of year	8 639 283	3 339 051
	Bank statement balance at end of year	324 810	8 639 283
	<b><u>Kimberley ABSA Account Number: 40 6020 4391 (Bank Account - TMT):</u></b>		
	Cash book balance at beginning of year	951	-
	Cash book balance at end of year	951	951
	Bank statement balance at beginning of year	951	110 321
	Bank statement balance at end of year	45 480	951
21	PROPERTY RATES	2011 R	2010 R
	<b><u>Actual</u></b>		
	Rateable Land and Buildings	14 288 154	12 264 215
	Residential, Commercial Property, State	14 288 154	12 264 215
	<b><u>Less: Rebates</u></b>	<b>-1 257 365</b>	<b>-476 301</b>
	<b>Total Assessment Rates</b>	<b>13 030 789</b>	<b>11 787 914</b>
21	PROPERTY RATES (CONTINUE)	2011 R	2010 R
	<b><u>Valuations - 1 JULY 2010</u></b>		
	Rateable Land and Buildings	2 423 245 074	2 923 772 357
	Residential	1 115 521 554	1 142 756 204
	Business	470 512 910	503 162 443
	Governments	63 744 400	63 257 400
	Post Office	1 554 000	2 177 800
	Spoornet	2 800 000	2 800 000
	Farms	638 407 800	643 758 300
	100% Rebate (Indigence)	9 762 700	6 083 700
	Municipal Property	85 665 700	525 373 200
	Churches & Charitable	35 276 010	34 403 310
	<b><u>Less: Income Forgone</u></b>		
	<b>Total Assessment Rates</b>	<b>2 423 245 074</b>	<b>2 923 772 357</b>

Valuations on land and buildings must be performed every four years. The last valuation came into effect on 1 July 1993 and interim 1 July 2001.

**GA-SEGONYANA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

<b>22 GOVERNMENT GRANTS AND SUBSIDIES</b>		<b>2011 R</b>	<b>2010 R</b>
<b>Unconditional Grants</b>		<b>48 469 524</b>	<b>39 086 361</b>
Equitable Share	22.01	48 469 524	39 086 361
<b>Conditional Grants</b>		<b>59 902 462</b>	<b>21 853 294</b>
Finance Management Grant 2010		424 096	1 095 000
Finance Management Grant 2011		1 200 000	-
Municipal Infrastructure Grant		24 914 148	19 322 913
Department of Mineral and Energy		1 867 983	-
Water and Sanitation Master Plan		-	-
Amogelang Early Childhood		1 146 453	-
Library Development		359 941	355 547
Municipal Systems Improvement Grant 2010		141 957	1 079 834
Municipal Systems Improvement Grant 2011		452 778	-
235 Housing Project		8 673 961	-
Integrated Housing Project		8 183 610	-
Construction Mandela Drive		-	-
1000 Rural Housing		10 831 630	-
D W A F - Department Water Affairs and Forestry		1 586 000	-
Blue Drop & Green Support		119 904	-
<b>Total Government Grants and Subsidies</b>		<b>108 371 986</b>	<b>60 939 655</b>
Government Grants and Subsidies - Capital		27 441 703	21 049 967
Government Grants and Subsidies - Operating		80 930 282	41 616 742
		<b>108 371 985</b>	<b>62 666 709</b>
The municipality does not expect any significant changes to the level of grants.			
<b>22 GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)</b>		<b>R</b>	<b>R</b>
<b>Equitable share</b>			
Opening balance		-	-
Grants received		48 469 524	39 086 361
Conditions met - Operating		(48 469 524)	(39 086 361)
Conditions met - Capital		-	-
Conditions still to be met		-	-
The Equitable Share is the unconditional share of the revenue raised nationally and is being allocated in terms of Section 214 of the Constitution (Act 108 of 1996) to the municipality by the National Treasury.			
<b>Local Government Financial Management Grant (FMG)</b>			
Opening balance		424 096	687 763
Grants received		1 200 000	831 333
Conditions met - Operating		(1 615 078)	(1 095 000)
Conditions met - Capital		(9 018)	-
Conditions still to be met		0	424 096
The Financial Management Grant is paid by National Treasury to municipalities to help implement the financial reforms required by the Municipal Finance Management Act (MFMA), 2003. The FMG Grant also pays for the cost of the Financial Management Internship Programme (e.g. salary costs of the Financial Management Interns).			
<b>Municipal Infrastructure Grant (MIG)</b>			
Opening balance		3 230 488	-
Grants received		20 854 339	22 553 401
Conditions met - Operating		(495 898)	-
Conditions met - Capital		(24 418 250)	(19 322 913)
Conditions still to be met		(829 321)	3 230 488
The grant was used to upgrade infrastructure in previously disadvantaged areas.			
<b>Municipal Systems Improvement Grant</b>			
Opening balance		201 524	431 358
Grants received		750 000	850 000
Conditions met - Operating		(594 735)	(1 079 834)
Conditions met - Capital		-	-
Conditions still to be met		356 789	201 524
The MSIG was used for building in-house capacity to perform municipal functions and stabilise institutional and governance systems.			
<b>Department of Mineral and Energy (DME)</b>			
Opening balance		26 132	26 132
Grants received		2 000 000	-
Conditions met - Operating		-	-
Conditions met - Capital		(1 867 983)	-
Conditions still to be met		158 149	26 132
The grant was used for electricity infrastructure development.			

**GA-SEGONYANA LOCAL MUNICIPALITY**  
**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011**

<b>22</b>	<b>GOVERNMENT GRANTS AND SUBSIDIES (CONTINUE)</b>	<b>2011</b>	<b>2010</b>
		<b>R</b>	<b>R</b>
<b>22.06</b>	<b>Housing Grants</b>		
	Opening balance	-	-
	Grants received	29 645 463	-
	Conditions met - Operating	(27 689 201)	-
	Conditions met - Capital	-	-
	Write off - Irrecoverable grant expenditure	-	-
	Conditions still to be met	1 956 262	-
	Housing grants was utilised for the development of erven and the erection of top structures.		
<b>22.07</b>	<b>Water and Sanitation Master Plan</b>		
	Opening balance	541 953	541 953
	Grants received	-	-
	Conditions met - Operating	-	-
	Conditions met - Capital	-	-
	Conditions still to be met	541 953	541 953
	The grant was used for water & sanitation infrastructure development		
<b>22.08</b>	<b>Amogelang Early Childhood</b>		
	Opening balance	1 215 384	1 215 384
	Grants received	-	-
	Conditions met - Operating	-	-
	Conditions met - Capital	(1 146 453)	-
	Conditions still to be met	68 931	1 215 384
	The grant was used for Building of Pre-School.		
<b>22.09</b>	<b>Library Development</b>		
	Opening balance	453	-
	Grants received	360 000	356 000
	Conditions met - Operating	(359 941)	(355 547)
	Conditions met - Capital	-	-
	Conditions still to be met	512	453
	The grant was used for the development of libraries in the Kuruman area.		
<b>22.10</b>	<b>Blue Drop &amp; Green Support</b>		
	Opening balance	-	-
	Grants received	136 641	-
	Conditions met - Operating	(119 904)	-
	Conditions met - Capital	-	-
	Conditions still to be met	16 738	-
	The grant was used for water operating and maintenance.		
<b>22.11</b>	<b>Department Water Affairs and Forestry (DWAF)</b>		
	Opening balance	-	-
	Grants received	1 586 000	-
	Conditions met - Operating	(1 586 000)	-
	Conditions met - Capital	-	-
	Write off - Irrecoverable grant expenditure	-	-
	Conditions still to be met	-	-
	The grant was used for water operating and maintenance.		